



KINETIC MINERALS, INC.

February 3, 1984

Scott J. Thorley, Esq.
Iron County Attorney
Ten North Main Street
Cedar City, UT 84720

Re: Stateline Mine - Milling Operations -
Iron County, Utah

Dear Mr. Thorley:

We have received your letter of January 17, 1984, to Kinetic Minerals, Inc. and a copy of your letter of January 16, 1984, to the State Department of Health regarding our operations in Iron County, Utah. From your letter, it is apparent that you have not adequately investigated the facts and circumstances and that you have reached inappropriate and inaccurate conclusions based on insufficient and incorrect facts.

If your true concern is with the health and welfare of all Iron County residents, none of which live on a permanent basis within a ten mile radius of the mill site, then you ought to take the time and effort to find out the true facts with regard to this situation. Since our efforts regarding this project began in early 1983, it has been clear that the Iron County Building Inspector intended to do everything possible to prevent our operations, whether or not there was any danger to the health or welfare of Iron County residents and whether or not he had any legal basis for regulating our operations. Also, it has become apparent that certain members of the South Hamlin Valley Cattlemen's Association intend to make every effort to prevent us from proceeding with our planned operations.

While we don't object to public scrutiny of our activities, as an employer of Iron County residents and a company that has expended substantial funds in Iron County, Utah, we do expect to be treated fairly and without bias.

This letter is written in order to provide you with an accurate summary of the facts and circumstances involving the milling operations at the Stateline Mine, to inform you as to our intentions with regard to those operations, and request that you or any other appropriate county official provide us with specific details as to the requirements which the officials of Iron County seek to impose on our milling operations and the legal basis for those requirements.

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As you know, our plans for the milling operations at the Stateline Mine were developed in late 1982 and early 1983. During the early months of 1983 we contacted various Federal and Utah State agencies to acquaint them generally with our plans and to secure the necessary permits to allow our operations to commence. During this process, we communicated with the following agencies: the Federal Mine Safety and Health Administration, the Division of Oil, Gas, and Mining of the Utah Department of Natural Resources and Energy; the Air Conservation Committee of the Division of Environmental Health of the Utah Department of Health; the State Engineer of the Division of Water Rights of the Utah Department of Natural Resources and Energy; and the Water Pollution Control Committee of the Division of Environmental Health of the Utah Department of Health. In dealing with these agencies, we supplied whatever information they requested and ultimately secured the necessary permits or exemptions to allow our operations to proceed. We also devoted a substantial amount of time and effort toward dealings with the Building Inspector of Iron County as well as the Iron County Planning Commission. As with the State agencies, we have attempted to provide all information by county officials and we believe we have substantially complied with all requirements legally imposed upon our operations by the county.

Although there has not been any production from the milling operations, we did conduct various test operations in the late fall of 1983. These test activities were primarily for the purpose of "trouble shooting" the milling process, including testing of water lines, vacuum pumps, the ball-mill motor, and the electrical system. No silver was actually extracted and normal operations never began. The total operating time was less than six hours. During these test operations in September, a very small quantity of cyanide was used, a total of approximately 180 pounds in solution. No additional cyanide was added to the system after September of 1983 and tanks which contained the cyanide solution were emptied only in the tailings pond in accordance with our permit from the Utah Water Pollution Control Committee prior to November 18, 1984, because of the need to adjust or repair various parts of the operation machinery.

By mid-November, most of the trouble-shooting had been completed and we had hoped to begin operation. However, weather conditions worsened and during the week of November 15, 1983, it became apparent that adverse weather conditions would require us to close down the mill for the winter. During the process of closing down the mill, it was determined that to avoid damage which might be caused by freezing temperatures, it would be advisable to drain all liquids from the holding tanks. There were at this time four tanks containing liquids. Three of the tanks (approximately 3,000 gallon capacity each) contained fresh water which had been placed in them approximately ten days earlier from our fresh water supply tanks. These tanks had been emptied prior to the addition of the fresh water and no milling operations or cyanide solutions had been added to them since they had been filled with fresh water. On November 18, these three tanks were emptied onto the hillside.

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The fourth tank (6,000 gallon capacity) contained about 2,500 gallons of liquid. While this tank had been sitting for more than a month since addition of any cyanide solution to it, the plant superintendent decided to pump the contents of this tank into the tailings pond because of the possibility that some small quantities of cyanide might remain in the liquid solution. After pumping about 2,000 of the 2,500 gallons into the drainage pipe leading to the tailings pond, the plant superintendent noticed a break in the tailings pond pipe at the bottom of the mill. The superintendent immediately stopped pumping liquid out of this tank and took immediate steps to neutralize any possible cyanide that might have been in the solution that leaked from the tailings pond pipe. These precautions consisted of the application of approximately 12 gallons of a 12% solution of sodium hypochloride (Chlorox) into the tank, around the leak area, and in the creek where the leaked solution might drain into the creek. On the next day, in an effort to further neutralize any possible contamination, the superintendent applied 6 gallons of 60-65% chlorine in the same manner.

Since November 19, the mill has been closed due to adverse weather conditions. No operations have taken place and a watchman has been hired to patrol the mill daily. Until your letter of January 16 and 17, 1984, we have heard nothing from any source suggesting any problem in connection with the incident of November 18. Any cyanide solution that might have leaked from the tailings pond pipe was treated with chlorine and chlorox which have the effect of oxidizing cyanide. Any cyanide which might have escaped this treatment would have oxidized very quickly into a harmless nitrogen compound which would cause no damage to vegetation or wildlife. Our watchman has not reported any adverse impact on any living thing, nor have any reports of damage to vegetation or wildlife been brought to our attention.

In light of these facts, we do not believe that we have done anything that poses any danger to vegetation, wildlife, or human beings in Iron County. If you have allegations or information contrary to these facts, we should be happy to discuss this matter with you further. In the meantime, we would advise you to make no statements which might cause harm to our company or unnecessarily arouse public alarm and resentment unless you are fully prepared to litigate the facts upon which those statements are based as well as the question of whether or not Iron County has any authority to regulate these operations and whether or not any authority of Iron County with regard to these operations has been exercised in an arbitrary, capricious, and biased manner.

Sincerely,

A handwritten signature in dark ink, appearing to read "Howard F. Bovers". The signature is fluid and cursive, with the first name "Howard" being the most prominent.

Howard F. Bovers, President

HFB/tab